

Message Text

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PAGE 01 LONDON 12612 141808Z

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ACTION AF-04

INFO OCT-01 SS-14 ISO-00 EUR-08 NSC-05 NSCE-00 INR-05

CIAE-00 EB-03 TRSE-00 XMB-01 OPIC-02 AID-05 SP-02 L-01

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FM AMEMBASSY LONDON

TO SECSTATE WASHDC 3817

INFO AMEMBASSY BONN

AMEMBASSY ROME

AMEMBASSY TOKYO

AMEMBASSY KINSHASA

AMEMBASSY PARIS

AMEMBASSY BRUSSELS

C O N F I D E N T I A L LONDON 12612

LIMDIS

PASS COPIES TO TREASURY, EXIMBANK, OPIC AND AID

E.O. 11652: GDS

TAGS: EFIN, ECON, CG, UK

SUBJECT: FINANCIAL ASSISTANCE TO ZAIRE

REF: STATE 182865

1. DRAWING ON PARAS 1 AND 2 REFTTEL WE DISCUSSED OUR PROPOSED ASSISTANCE TO ZAIRE WITH FOREIGN OFFICE, HM TREASURY AND OVERSEAS DEVELOPMENT MINISTRY (ODM) OFFICIALS AUGUST 11. THEY SHARE OUR CONCERN OVER ZAIRE'S SHORT-TERM DEBT SITUATION AND FEEL STRONGLY THAT PRESIDENT MOBUTU MUST SEEK AGREEMENT WITH IMF ON STANDBY LOAN AND ASSOCIATED STABILIZATION PROGRAM.

2. JOHN WHITELEGG, HEAD WEST AFRICA DEPARTMENT, ODM,
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PAGE 02 LONDON 12612 141808Z

STATES THAT UK CONTINUES TO OFFER AS IT HAS SINCE

1971 1 MILLION POUND PROGRAM LOAN TO ZAIRE. RECENT INDICATIONS FROM KINSHASA ARE THAT GOZ MAY NOW BE READY TO SIT DOWN AND WORK OUT AN AGREEMENT FOR IMPLEMENTATION OF THIS LOAN BUT ODM HAS NOT YET RECEIVED ANY CONFIRMATION. PRESENT ASSISTANCE LIMITED TO 50,000 POUND ANNUAL TECHNICAL ASSISTANCE PROGRAM IN COOPERATION WITH OXFAM. PROJECTS CONCENTRATED IN RURAL DEVELOPMENT INCLUDE HEALTH AND SUBSISTENCE AGRICULTURE PROGRAMS. GIVEN BUDGETARY RESTRAINTS AND WHAT ODM PERCEIVES AS MORE PRESSING CLAIMS OF INDIAN SUBCONTINENT THERE IS LITTLE LIKELIHOOD OF EVEN THESE SMALL PROGRAMS BEING INCREASED.

3. MALCOLM WIDDUP, UNDER SECRETARY (DEVELOPMENT) HM TREASURY STATES HMT IS "LESS THAN ENTHUSIASTIC" ABOUT REFINANCING ZAIRE'S SHORT-TERM UK DEBT. THIS REFLECTS HMT'S GENERAL POLICY OF OPPOSITION TO RESCHEDULING OF COMMERCIAL DEBT UNLESS DEFAULT IS IMMINENT. THIS POLICY IS EVEN MORE APPLICABLE GIVEN THE PRESENT STATE OF UK ECONOMY. HMT IS UNABLE TO PROVIDE PRESENT BREAK-DOWN OF ZAIRE'S SHORT-TERM UK DEBT OR WHAT PART OF IT IS COVERED BY THE EXPORT CREDIT GUARANTEE DEPARTMENT. WIDDUP SAYS HMT WILL NOT BEGIN TO PREPARE THESE FIGURES OR TO CONSIDER REFINANCING UNTIL ASKED TO BY ZAIRE. HE ALSO QUESTIONS USEFULNESS OF IMF STANDBY LOAN WITHOUT INTERNAL ZAIRIAN ECONOMIC REFORMS.

4. IN LIGHT OF FOREGOING AND VIEW EXPRESSED BY FCO DURING RECENT US/UK BILATERALS ON AFRICA THAT ZAIRE IS CONSIDERED BY HMG TO BE VERY MUCH US PRESERVE WE DOUBT WHETHER HMG WILL BE WILLING OR ABLE TO INCREASE AID TO OR CONSIDER DEBT REFINANCING FOR ZAIRE. THEY WILL, HOWEVER, SUPPORT APPROACH TO IMF FOR STANDBY LOAN. SHOULD, HOWEVER, SUCH A FACILITY COMBINED WITH INTERNAL ZAIRIAN REFORMS NOT PROVE SUFFICIENT IT MAY THEN BE POSSIBLE TO CONVINCE HMG OF NECESSITY OF PROVIDING DEBT REFINANCING.

RICHARDSON

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